



Financial Management Report as of September 30, 2013

AT A GLANCE:

The City of Kirkland and community partners provide summer feeding program for a second year (page 2 sidebar)

2013 revenues through September increased over 2012 (page 3)

Sales tax revenue increased again in the third quarter (page 5)

Unemployment continues to decrease, inflation is low and the housing market continues to improve (pages 7-8)

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Summary of All Operating Funds: *Revenue*

- **General Fund** actual 2013 revenue ended the third quarter **6.3 percent ahead** of the same period last year, an increase of nearly \$3.5 million. Higher than budgeted sales tax and development services fees are primarily responsible for the increased revenues. The actual general fund revenues are at **76 percent of budget**. A more detailed analysis of General Fund revenue can be found on page 3, and details on sales tax revenue begin on page 5.
- **Other General Government Funds** actual 2013 revenue is **26.7 percent higher** than it was through the same period in 2012, up nearly \$3.4 million. Every fund with the exception of facilities maintenance and cemetery operating had increased revenues. The large growth in revenues over 2012 can be attributed to an adjusted appropriation of funds to Parks Maintenance and new levy revenues from the 2012 Parks and Streets levies. These funds have collected **68.1 percent** of budget so far this year and are set to bring in the remainder when second-half property taxes are collected in October.

There were internal accounting changes for revenues of Water/Sewer, Surface Water, and Solid Waste utilities that contributed to the increases in revenues when comparing 2013 to 2012, however, there was no net increase to the ratepayer due to the change.

- The **Water/Sewer Operating Fund** actual 2013 revenue is **up 20.3 percent** over the same period last year due to an accounting change and rate increases; **73.3 percent of budget** has been collected thus far in 2013. This is slightly low because of seasonal variations and timing of the billing cycle.
- The **Surface Water Management Fund** has received **57 percent of budgeted revenues** so far this year. Surface water charges are paid with property taxes which are primarily received in April and October. This year's revenues are **10.8 percent higher** than they were at the end of September 2012.
- The **Solid Waste Fund** actual 2013 revenue is **12.9 percent ahead** compared to the same period last year. This fund has received **74.3 percent of budget** as of the end of September. Rate increases and an accounting change factored into this growth.

Resources by Fund	Year-to-Date Actual			Budget			% of Budget	
	9/30/2012	9/30/2013	% Change	2012	2013	% Change	2012	2013
General Gov't Operating:								
General Fund	54,861,507	58,322,727	6.3%	76,303,969	76,780,959	0.6%	71.9%	76.0%
Other General Gov't Operating Funds	12,605,676	15,966,070	26.7%	18,954,113	23,431,652	23.6%	66.5%	68.1%
Total General Gov't Operating	67,467,183	74,288,797	10.1%	95,258,082	100,212,611	5.2%	70.8%	74.1%
Utilities:								
Water/Sewer Operating Fund	14,493,982	17,440,492	20.3%	20,540,187	23,794,608	15.8%	70.6%	73.3%
Surface Water Management Fund	4,744,298	5,255,788	10.8%	8,391,990	9,224,823	9.9%	56.5%	57.0%
Solid Waste Fund	9,543,988	10,776,198	12.9%	13,228,950	14,495,498	9.6%	72.1%	74.3%
Total Utilities	28,782,268	33,472,478	16.3%	42,161,127	47,514,929	12.7%	68.3%	70.4%
Total All Operating Funds	96,249,451	107,761,275	12.0%	137,419,209	147,727,540	7.5%	70.0%	72.9%



Kirkland's Summer Feeding Program has another successful year

Free sack lunches were provided each Tuesday from June 25-August 27 at 132nd Square Park and Juanita Beach Park to needy Kirkland children, making 2013's Summer Feeding Program a great success once again this year. This meal program helped kids continue to get nutritious lunches during the summer, growing in its second year to provide a total of 450 nutritious meals. The number of free lunches provided increased 50% over last year.

The lunches were coordinated by the Youth Services division of Kirkland's Parks and Community Services Department. The City provided administrative oversight and meal transportation and City staff was helped with weekly assistance from community volunteers. Sodexo, a food services contractor, prepared meals for the program at Redmond Middle School. Community volunteers were able to raise over \$3,000 in donations toward the meal program, with significant contributions made by Sodexo (\$1,000 credit toward meals), Kirkland Kiwanis (\$1,000), and Metropolitan Market (\$1,000). QFC, Fred Meyer, and Costco all contributed toward the program as well.

This was truly a community effort, with time, money and facilities being donated by private citizens, businesses, Lake Washington School District, and the City of Kirkland. No direct City funds were used for the program, and City contributed funds will remain available to continue the program in 2014.

Summary of All Operating Funds: *Expenditures*

- **General Fund** actual expenditures finished September **up 4 percent** from last year. Expenditures are at **71.1 percent of budget** three-quarters of the way through the year. A more detailed analysis of General Fund expenditures by department is found on page 4.
- **Other Operating Funds** actual expenditures were **up 6.5 percent** due to higher expenditures for parks maintenance, facilities maintenance, street operating, cemetery operating, and operations paid for by the new parks levy. These particular increases totaled nearly \$1.7 million but were partially offset by savings of over \$870,000 in equipment rental, information technology and lodging tax expenditures. The overall increase in other operating funds is over \$1.55 million and most of this is directly from the new 2012 Parks Levy funded maintenance operations which have totaled \$1.25 million so far this year. These are completely new expenditures funded solely by dedicated levy revenues. This rise in expenses was anticipated in the budget, and actual expenditures are **lower than budget at 60.5 percent**.

Expenditures in the Water/Sewer, Surface Water, and Solid Waste utility funds have increased mostly due to the internal accounting change, with the taxes now flowing through the utility fund. This results in an expenditure in the utilities as the funds are moved to the General Fund, offset by tax revenues appearing in the utilities, resulting in zero net effect to ratepayers.

- **Water/Sewer Operating Fund** actual expenditures finished the third quarter **30.6 percent higher** than they did in the first three quarters of 2012, and they were **above budget at 82.6 percent**. The majority of this increase is due to the accounting change, which has amounted to more than \$1.15 million of new flow-through expenditures from this fund. The expenses are higher than 75 percent three quarters of the way through the year because of the timing of a payment to Cascade Water Alliance and a metro sewer payment. If these two items are taken out then this fund is at 75.8 percent of budget for the year.
- **Surface Water Management Fund** actual expenditures at the end of the third quarter were **15.3 percent higher** than last year. These expenditures have increased due to the new accounting requirements for utility taxes that pass through this fund. This change was anticipated and is reflected in the budget. Expenditures through September are at **60.4 percent of budget**.
- **Solid Waste Fund** has spent **44.9 percent more** so far in 2013 than it did in 2012. This increase is due to the timing of payments for the solid waste contract and the utility tax accounting change that was implemented for all utilities. So far in 2013, **76 percent of budget has been spent**, expenses are in line with budget expectations.

Expenditures by Fund	Year-to-Date Actual			Budget			% of Budget	
	9/30/2012	9/30/2013	% Change	2012	2013	% Change	2012	2013
General Gov't Operating:								
General Fund	47,731,670	49,637,925	4.0%	67,597,127	69,822,135	3.3%	70.6%	71.1%
Other General Gov't Operating Funds	12,463,300	13,270,691	6.5%	18,885,127	21,952,801	16.2%	66.0%	60.5%
Total General Gov't Operating	60,194,970	62,908,616	4.5%	86,482,254	91,774,936	6.1%	69.6%	68.5%
Utilities:								
Water/Sewer Operating Fund	12,758,408	16,657,584	30.6%	17,325,319	20,169,257	16.4%	73.6%	82.6%
Surface Water Management Fund	3,375,147	3,892,944	15.3%	5,495,211	6,449,354	17.4%	61.4%	60.4%
Solid Waste Fund	8,006,086	11,598,724	44.9%	13,135,052	15,260,157	16.2%	61.0%	76.0%
Total Utilities	24,139,640	32,149,253	33.2%	35,955,582	41,878,768	16.5%	67.1%	76.8%
Total All Operating Funds	84,334,610	95,057,869	12.7%	122,437,836	133,653,704	9.2%	68.9%	71.1%

General Fund Revenue

- Sales tax** revenue allocated to the General Fund is **14.5 percent higher** than it was last year. This is **ahead of budget**, which is based on the prior year, with **83.8 percent of budget** collected thus far. A detailed analysis of total sales tax revenue can be found starting on page 5.
- Property tax** is at **54.4 percent of budget**, this is slightly ahead of last year in dollar terms with **0.4 percent more** collected through the second quarter. Property tax is mostly collected semiannually in April and October.
- Utility tax** collections are **below budget expectations at 73.5 percent**. Revenues are **up 2.2 percent** compared to the third quarter of 2012 in spite of lower electricity and gas utility tax revenues. This offsetting revenue growth was due to moderately higher tax revenues across the board in all other utilities.
- Other taxes** actual revenue is **6.4 percent lower** than the same period in 2012 due to drops in revenue from the admissions tax and the leasehold excise tax. However, this category is at **92.3 percent of budget**.
- The **business licenses (base fee) and franchise fees** have collected **1.2 percent more** than they did at this point last year and are **above budget at 78.2 percent**.
- The **revenue generating regulatory license fee** has brought in **3.1 percent less** than it had by September 2012. However, this drop was anticipated and the revenues are coming in above forecast at **79.4 percent of budget**. This tax is charged to employers on a per-employee basis, and it can fluctuate based on the timing of when businesses submit their payments.
- The **development-related fee** revenues are collectively **up 25.3 percent** and are ahead of projections at **130.8 percent** of their budgeted revenue. **Plan check fees** are **up 50.1 percent** and **Building, Structural and Equipment permits** are **up 16.7 percent** over last year. **Planning Services** revenue has increased **23.2 percent**. **Engineering Fees** has collected **26.9 percent more** than last year. Note that a portion of this additional revenue is for work to be done in subsequent years and will be set aside in reserve for that purpose.
- Fines and Forfeitures** are **up 30.4 percent** due to the increase of parking and traffic fines being collected. Parking fines have increased because the city has filled the formerly vacant parking enforcement officer position; this revenue source is slightly **above budget expectations at 78 percent**.
- The **other financing sources** category in 2012 reflected the one-time asset transfer from Woodinville Fire & Rescue. So far in 2013, 27.8 percent of budgeted interfund transfers have been posted.

Other Intergovernmental Services were consolidated into Other Charges for Services as part of a Statewide accounting change.

General Fund 2013 revenues ended the third quarter \$4 million higher than the same period last year largely due to growth in sales tax, and development permits and fees.

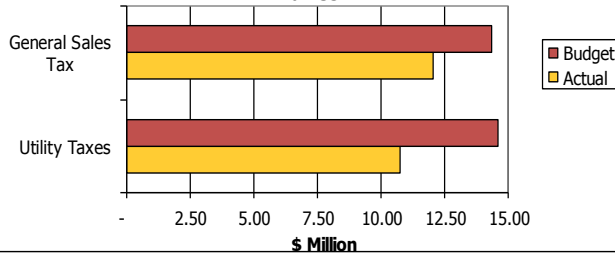
The General Fund is the largest of the General Government Operating funds. It is primarily tax supported and accounts for basic services such as public safety, parks and recreation, and community development.

- Many significant General Fund revenue sources are economically sensitive, such as sales tax and development-related fees.**
- In 2013 about 424 of the City's 544 regular employees are budgeted within the general fund.**

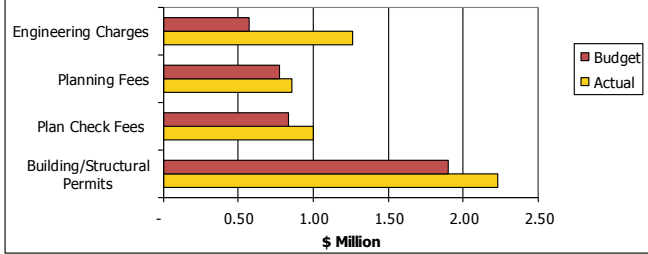
General Fund Resource Category	Year-to-Date Actual			Budget			% of Budget	
	9/30/2012	9/30/2013	% Change	2012	2013	% Change	2012	2013
Taxes:								
Retail Sales Tax: General	10,517,292	12,041,445	14.5%	13,972,010	14,368,962	2.8%	75.3%	83.8%
Retail Sales Tax Credit: Annexation	2,583,004	2,757,965	6.8%	3,409,791	3,415,626	0.2%	75.8%	80.7%
Retail Sales Tax: Criminal Justice	1,226,615	1,331,907	8.6%	1,568,112	1,634,287	4.2%	78.2%	81.5%
Property Tax	9,002,553	9,037,102	0.4%	16,049,865	16,619,200	3.5%	56.1%	54.4%
Utility Taxes	10,513,435	10,749,860	2.2%	14,468,333	14,618,866	1.0%	72.7%	73.5%
Rev Generating Regulatory License	1,906,727	1,848,246	-3.1%	2,386,300	2,328,005	-2.4%	79.9%	79.4%
Other Taxes	1,049,284	982,071	-6.4%	1,005,488	1,063,975	5.8%	104.4%	92.3%
Total Taxes	36,798,911	38,748,595	5.3%	52,859,899	54,048,921	2.2%	69.6%	71.7%
Licenses & Permits:								
Building, Structural & Equipment Permits	1,909,181	2,227,352	16.7%	2,343,612	1,900,182	-18.9%	81.5%	117.2%
Business Licenses/Franchise Fees	3,238,725	3,277,986	1.2%	4,109,869	4,193,597	2.0%	78.8%	78.2%
Other Licenses & Permits	194,233	373,783	92.4%	217,579	317,128	45.8%	89.3%	117.9%
Total Licenses & Permits	5,342,139	5,879,121	10.1%	6,671,060	6,410,907	-3.9%	80.1%	91.7%
Intergovernmental:								
Grants and Federal Entitlements	262,836	54,987	-79.1%	137,835	98,974	-28.2%	190.7%	55.6%
State Shared Revenues & Entitlements	1,095,398	716,390	-34.6%	909,967	1,033,781	13.6%	120.4%	69.3%
EMS	427,546	442,323	3.5%	866,729	884,645	2.1%	49.3%	50.0%
Other Intergovernmental Services	261,639	-	N/A	328,932	-	-100.0%	79.5%	N/A
Total Intergovernmental	2,047,419	1,213,700	-40.7%	2,243,463	2,017,400	-10.1%	91.3%	60.2%
Charges for Services:								
Internal Charges	4,015,177	3,936,674	-2.0%	5,894,286	5,208,912	-11.6%	68.1%	75.6%
Engineering Services	994,344	1,261,859	26.9%	555,852	574,093	3.3%	178.9%	219.8%
Plan Check Fee	666,155	999,774	50.1%	814,484	836,864	2.7%	81.8%	119.5%
Planning Fees	696,167	857,680	23.2%	544,619	776,347	42.5%	127.8%	110.5%
Recreation	1,028,940	1,105,843	7.5%	1,152,963	1,160,300	0.6%	89.2%	95.3%
Other Charges for Services	1,396,756	2,048,614	46.7%	2,187,273	3,075,552	40.6%	63.9%	66.6%
Total Charges for Services	8,797,539	10,210,444	16.1%	11,149,477	11,632,068	4.3%	78.9%	87.8%
Fines & Forfeits	1,154,356	1,505,155	30.4%	2,781,169	1,928,925	-30.6%	41.5%	78.0%
Miscellaneous	721,142	765,712	6.2%	598,901	742,738	24.0%	120.4%	103.1%
Total Revenues	54,861,507	58,322,727	6.3%	76,303,969	76,780,959	0.6%	71.9%	76.0%
Other Financing Sources:								
Transfer of FD 41 & WFR Balances	-	-	N/A	1,426,568	-	N/A	N/A	N/A
Interfund Transfers	-	99,780	N/A	153,560	359,228	133.9%	N/A	27.8%
Total Other Financing Sources	-	99,780	N/A	1,580,128	359,228	-77.3%	N/A	27.8%
Total Resources	54,861,507	58,422,507	6.5%	77,884,097	77,140,187	-1.0%	70.4%	75.7%

General Fund Revenue *continued*

2013 Budget to Actual Comparison of Selected Taxes



2013 Budget to Actual Comparison of Development Related Fees



General Fund Expenditures

General Fund Department Expenditures	Year-to-Date Actual			Budget			% of Budget	
	9/30/2012	9/30/2013	% Change	2012	2013	% Change	2012	2013
Non-Departmental	753,305	1,007,453	33.7%	1,043,302	1,515,099	45.2%	72.2%	66.5%
City Council	299,983	322,743	7.6%	443,849	403,932	-9.0%	67.6%	79.9%
City Manager's Office	1,299,859	1,303,131	0.3%	1,829,449	2,015,043	10.1%	71.1%	64.7%
Municipal Court	1,510,188	1,578,443	4.5%	2,590,750	2,249,404	-13.2%	58.3%	70.2%
Human Resources	915,953	922,001	0.7%	1,274,208	1,288,257	1.1%	71.9%	71.6%
City Attorney's Office	978,790	998,617	2.0%	1,365,836	1,371,489	0.4%	71.7%	72.8%
Parks & Community Services	5,165,487	5,225,318	1.2%	7,313,947	7,391,021	1.1%	70.6%	70.7%
Public Works (Engineering)	2,614,402	3,072,053	17.5%	3,977,350	4,746,309	19.3%	65.7%	64.7%
Finance and Administration	2,968,923	3,051,782	2.8%	4,245,377	4,167,957	-1.8%	69.9%	73.2%
Planning & Community Development	2,251,178	2,400,893	6.7%	3,319,899	3,596,809	8.3%	67.8%	66.8%
Police	14,140,311	14,524,786	2.7%	20,049,726	20,345,284	1.5%	70.5%	71.4%
Fire & Building	14,833,289	15,253,464	2.8%	20,143,434	20,691,614	2.7%	73.6%	73.7%
Total Expenditures	47,731,670	49,660,684	4.0%	67,597,127	69,782,218	3.2%	70.6%	71.2%
Other Financing Uses:								
Interfund Transfers	4,622,288	6,618,508	43.2%	9,981,716	12,127,609	21.5%	46.3%	54.6%
Total Other Financing Uses	4,622,288	6,618,508	43.2%	9,981,716	12,127,609	21.5%	46.3%	54.6%
Total Expenditures & Other Uses	52,353,958	56,279,192	7.5%	77,578,843	81,909,827	5.6%	67.5%	68.7%

Comparing 2013 actual expenditures to the same period last year:

Overall, excluding interfund transfers, General Fund expenditures are **4.0 percent higher** than 2012, yet they are under budget for the year. So far in 2013, the City has spent **71.2 percent** of total budgeted expenses.

- Expenditures for **Non-departmental** are **up 33.7 percent** largely due to an increase in medical benefit costs. This was budgeted for and spending is **below budget expectations at 66.5 percent**.
- Actual 2013 expenditures for the **City Council** have **grown 7.6 percent** at this point in the year because the cost of the annual memberships are now paid at the beginning of the year. This timing change also caused expenditures to finish the third quarter at **79.9 percent of budget**.
- The **City Manager's Office** costs are **up 0.3 percent** compared to 2012 due to a slight rise in salaries and benefit expenses. These expenses are below planned spending at **64.7 percent of budget**.
- The **Municipal Court** actuals are **up 4.5 percent** compared to the same period last year due to increased personnel costs, but it is below projections at **70.2 percent of budget**.
- Actual 2013 expenditures for **Human Resources** are **up 0.7 percent** versus last year. This increase can be attributed mostly to salary and wage increases, and the department is at **71.6 percent of budget**.
- The **City Attorney's Office** expenditures are **up 2 percent** above 2012 due to small increases in salaries and wages, along with increased payments for contracted legal services. This result is in line with projections at **72.8 percent of budget**.
- Third quarter 2013 expenditures for the **Parks & Community Services Department** are **up 1.2 percent** compared to the same period last year. This increase is tied to salary increases and seasonal variations in staffing for summer programs. Expenses are below expectations at **70.7 percent of budget**.

2013 General Fund actual expenditures (excluding "other financing uses") are 4.0 percent higher than they were in 2012.

Continued on page 5

Financial Management Report as of September 30, 2013

- **Public Works** expenditures have used **64.7 percent of budget**. In dollar terms, spending has been **17.5 percent higher** than the third quarter of 2012 due to growth in wages, salaries, and benefits as new employees have been hired to accommodate post-annexation community needs.
- The **Finance and Administration Department** expenditures are at **73.2 percent of budget**, rising **2.8 percent** in dollar terms versus last year due to increases in spending on salaries, wages and benefits.
- Actual third quarter expenditures for the **Planning and Community Development Department** finished **up 6.7 percent** over last year because of increased personnel costs due to filling positions that were vacant in 2012 and the high number of permit applications that are driving a need for contract services and overtime; **66.8 percent of their annual budget** has been used thus far.
- The **Police Department** has spent **2.7 percent more** than it had at this point last year, which is within budget expectations with spending at **71.4 percent of budget** at the end of the third quarter. Jail costs continue to be under budget due to contracts with other agencies for lower rates than those charged by King County and an increase in the use of electronic home detention and other sentencing measures as alternatives to jail time.
- Expenditures for the **Fire & Building Department** grew **2.8 percent** over last year. This increase is related to slightly higher personnel costs and increased workload from development services activities that has resulted in higher contract work and overtime costs (which are offset by revenues). This department's expenses are within projections at **73.7 percent of budget**. A summary of Fire District #41 funds is shown in the table to the right. Currently these funds are dedicated to the consolidated fire station capital project.

Summary of Fire District 41 Funds	
2013 Revenues & Expenditures	
Beginning Balance	5,224,166
Investment Interest	\$ 1,309
Expenditures:	\$ -
Current Balance	\$ 5,225,475

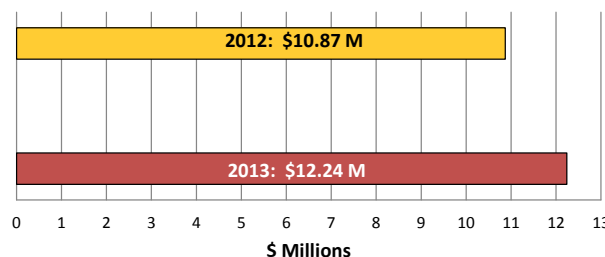
Sales Tax Revenue Analysis

Year-to-date revenue is **up 12.6 percent** compared to the same period last year. This growth in revenue has been concentrated in three sectors; services, contracting and auto/gas retail, with car sales making up the largest single increase. The sales tax revenue received through the third quarter is from November 2012 – July 2013 sales.

Review by business sectors:

- **Contracting is up 12.5 percent** through September compared to 2012. This is the result of several large commercial and multi-family projects along with steady growth in residential construction.
- Sales tax from the retail sectors is collectively **up 10.7 percent** compared to 2012.
- The **auto/gas retail** sector is **up 15 percent** compared to last year due to solid sales increases at all of the dealerships in town, the addition of one new dealership, and a general national trend of increased car buying driven by pent-up demand.
- The **general merchandise/miscellaneous retail** sector is **up 8.2 percent** compared to 2012 largely due to positive performance by two key retailers.
- The **retail eating/drinking** sector performance is **up 6.9 percent** versus last year. Revenue increases can be attributed to many established restaurants posting improved sales along with the opening of several new restaurants late last year.
- **Other retail is up 7.8 percent** compared to last year due to positive performance in most categories with the exception of food and beverage stores. Food and beverage stores experienced a 3.3 percent drop that may be due to increased competition with other retailers that offer similar products and selection.
- The **services** sector is **up 32.4 percent** compared to 2012. This increase can be attributed to growth from publishing, information, internet, broadcasting, arts & entertainment, healthcare and other services in the sector. This raw gain is skewed upward because of a large sales tax refund that was paid out to a business in May 2012; however, even if that amount is factored out, the services sector is still up 21.8 percent over last year.
- **Wholesale is up 3.1 percent** compared to last year. Strong gains from the first quarter were offset by slower growth in the second and third quarters.
- The **miscellaneous** sector is **up 9.1 percent** compared to last year due to higher revenues across many categories, and mostly from manufacturing and finance.

Sales Tax Receipts
Through September 2012 and 2013



Neighboring Cities Sales Tax

Bellevue was up 5.0 percent and Redmond was up 3.7 percent through September compared to the same period in 2012. Redmond's increase is moderated by a large tax recovery received in 2012.

King County Sales Tax

King County's sales tax receipts are 6.7 percent higher than they were through the third quarter of 2012.

Business Sector Group	January-September		Dollar Change	Percent Change	Percent of Total		Percent of Change
	2012	2013			2012	2013	
Services	1,184,874	1,568,898	384,024	32.4%	10.9%	12.8%	27.9%
Contracting	1,737,961	1,955,530	217,569	12.5%	16.0%	16.0%	15.8%
Communications	330,465	337,886	7,421	2.2%	3.0%	2.8%	0.5%
Auto/Gas Retail	2,661,641	3,060,550	398,909	15.0%	24.5%	25.0%	29.0%
Gen Merch/Misc Retail	1,406,857	1,522,248	115,391	8.2%	12.9%	12.4%	8.4%
Retail Eating/Drinking	937,774	1,002,622	64,848	6.9%	8.6%	8.2%	4.7%
Other Retail	1,468,917	1,584,154	115,237	7.8%	13.5%	12.9%	8.4%
Wholesale	551,757	569,045	17,288	3.1%	5.1%	4.6%	1.3%
Miscellaneous	589,546	643,012	53,466	9.1%	5.4%	5.3%	3.9%
Total	10,869,792	12,243,945	1,374,153	12.6%	100.0%	100.0%	100.0%

Kirkland's sales tax base is comprised of a variety of businesses which are grouped and analyzed by business sector (according to NAICS, or "North American Industry Classification System"). Nine business sector groupings are used to compare 2012 and 2013 year-to-date sales tax receipts in the table to the left.

City of Kirkland Actual Monthly Sales Tax Receipts

Month	Sales Tax Receipts		Dollar Change	Percent Change
	2012	2013		
January	1,104,023	1,333,113	229,090	20.8%
February	1,413,587	1,618,028	204,441	14.5%
March	1,054,686	1,225,511	170,825	16.2%
April	1,086,848	1,181,984	95,136	8.8%
May	1,132,774	1,387,795	255,021	22.5%
June	1,147,892	1,264,563	116,671	10.2%
July	1,287,015	1,380,475	93,460	7.3%
August	1,313,808	1,369,409	55,601	4.2%
September	1,329,159	1,483,067	153,908	11.6%
Total	10,869,792	12,243,945	1,374,153	12.6%

When analyzing monthly sales tax receipts, there are two items of special note: First, most businesses remit their sales tax collections to the Washington State Department of Revenue on a monthly basis. Small businesses only have to remit their sales tax collections either quarterly or annually, which can create anomalies when comparing the same month between two years. Second, for those businesses which remit sales tax monthly, there is a two month lag from the time that sales tax is collected to the time it is distributed to the City.

- Monthly sales tax revenues have maintained a rising trend through the third quarter of 2013 with gains over the same months in 2012 averaging 7.7 percent.
- July's revenues rose 7.3 percent year-over-year on the strength of improved performance from the auto retail, contracting, and service sectors.
- August revenues improved 4.2 percent over last year with this growth being led by of services and auto retail, which offset lower revenues in the contracting sector this month.
- September also had increased revenues, with an jump of 11.6 percent over September 2012, with the main growth coming from services, auto retail, and general/other retail.

While growth in sales from auto retail, contracting, and service businesses has contributed to the increase in sales tax revenue, it is still lower than its peak in 2007 prior to annexation. These three sectors account for \$1 million in sales tax increases over last year; on the whole, the city's sales tax revenues have grown \$1.37 million. These big three sectors have accounted for 73 percent of the sales tax growth over the last year. Because these sectors are economically sensitive, they tend to drop off more than other sectors when the economy is weak, and grow more when the economy is strong. This growth trend has been maintained so far this year and consumer confidence levels remain at consistent levels.

Kirkland's sales tax base is further broken down by business district (according to geographic area), as well as "unassigned or no district" for small businesses and businesses with no physical presence in Kirkland.

Comparing to the same period last year:

Totem Lake, which accounts for 29.5 percent of the total sales tax receipts, was **up 11.5 percent** due to the continued sales growth in the automotive/gas retail sector and improvements in most retail

categories. Sixty two percent of this business district's revenue comes from the auto/gas retail sector.

NE 85th Street, which makes up 14.3 percent of the total sales tax receipts, is **up 7.7 percent**. This area's sales grew due to improving auto retail and general retail sales. These two retail sectors contribute 82.3 percent of this business district's revenue.

Downtown, which accounts for 6.5 percent of the total sales tax receipts, was **up 41.9 percent** largely due to the return of information services revenues (which were low in 2012 because of a one-time taxpayer refund that reduced the City's revenues). Factoring out this one-time event, this district would be about 15.9 percent ahead of last year. Improvements to information services and retail eating and drinking are the primary reason for the increase. Retail businesses contribute about 65 percent of this business district's revenue.

Carillon Point & Yarrow Bay, which account for 2.1 percent of the total sales tax receipts, were **down 0.1 percent** compared to last year. About 64.7 percent of this business district's revenue comes from retail eating/drinking and accommodations.

Houghton & Bridle Trails, which have produced 2.4 percent of the total sales tax receipts this year, were **up 4.2 percent** due to rebounding sales at eating & drinking establishments.

Juanita, which has generated 1.5 percent of the total sales tax receipts, was **down 0.4 percent** compared to 2012. This neighborhood saw decreases in revenue in most categories, but this was mostly offset by a positive trend in eating & drinking revenues.

North Juanita, Kingsgate, & Finn Hill account for 3.3 percent of the total sales tax receipts and were **up 2.9 percent** over 2012. Much of this growth came from the personal services, healthcare, and apparel and general merchandise sectors.

Year-to-date sales tax receipts by business district for 2012 and 2013 are compared in the table on the next page.

When reviewing sales tax receipts by business district, it's important to be aware that 45.2 percent of the revenue received so far in 2013 is in the "unassigned or no district" category largely due to contracting and other revenue, which includes revenue from internet, catalog sales and other businesses located outside of the City.

City of Kirkland Sales Tax by Business District

Business District	Jan - Sept Receipts		Dollar Change	Percent Change	Percent of Total	
	2012	2013			2012	2013
Totem Lake	3,244,271	3,616,371	372,099	11.5%	29.8%	29.5%
NE 85th St	1,621,182	1,746,594	125,412	7.7%	14.9%	14.3%
Downtown	557,684	791,320	233,636	41.9%	5.1%	6.5%
Carillon Pt/Yarrow Bay	252,915	252,780	(135)	-0.1%	2.3%	2.1%
Houghton & Bridle Trails	284,404	296,293	11,889	4.2%	2.6%	2.4%
Juanita	188,829	188,115	(714)	-0.4%	1.7%	1.5%
Kingsgate	133,025	134,081	1,056	0.8%	1.2%	1.1%
North Juanita	168,262	175,050	6,788	4.0%	1.5%	1.4%
Finn Hill	69,647	72,283	2,636	3.8%	0.6%	0.6%
Unassigned or No District:						
Contracting	1,736,116	1,953,644	217,528	12.5%	16.0%	16.0%
Other	2,613,456	3,017,414	403,958	15.5%	29.3%	29.2%
Total	10,869,792	12,243,945	1,374,153	12.6%	100.0%	100.0%

Sales Tax Revenue Outlook Sales tax receipts for the third quarter of 2013 continued the upward trend in revenues for the City, but at a slower pace than in either the first or second quarters. The higher growth in year-over-year sales tax in earlier quarters was expected to slow since revenues had strengthened in the second half of 2012. Big ticket items such as auto purchases and contracting services continue to drive Kirkland's upward growth. The contracting and automotive/gas retail sectors have contributed 44.9 percent of 2013's overall sales tax gains compared to 2012. All other major sectors in the City have continued to experience growth compared to the third quarter of 2012. The broad category of "services" has posted the second strongest gains overall with a 32.4 percent increase over 2012, accounting for 27.9 percent of Kirkland's sales tax gains in 2013 over last year.

OFFICE VACANCIES:

Third quarter data is not yet available as of 10/24/13.

According to the latest report from CB Richard Ellis Real Estate Services, the Eastside office vacancy rate rose from 13.8 percent in the second quarter of 2012 to 14.7 percent in the second quarter of 2013. However, the Eastside is still the second strongest office market in the Puget Sound region, following only Downtown Seattle. Kirkland's vacancy rate was 7.6 percent, much lower than the Puget Sound average, but higher than the 7.1 percent vacancy rate in the second quarter of 2012.

Occupancy rates have gone down, but much of this trend is linked to new construction and higher rent prices for office space.

The region currently has 1,179,947 SF of office space under construction, including large projects on the Eastside and the continued expansion of Amazon near their current South Lake Union headquarters.

LODGING TAX REVENUE:

Lodging tax revenue grew compared to the third quarter of 2012, finishing the third quarter of 2013 up 11.5 percent, an increase of \$17,479.

Economic Environment Update The Washington State economy has continued to expand, adding 11,400 new jobs in the third quarter according to the October 2013 report from the Washington State Economic and Revenue Forecast Council. Locally, the construction industry has been the fastest growing employment sector, while aerospace manufacturing has declined by 200 jobs. The housing market recovery has continued with rising prices and strong permit applications. Consumer spending and sales tax revenues to the state have outperformed their forecast by nearly 1 percent. Federal fiscal policy remained favorable to borrowers in the third quarter, allowing interest rates to remain relatively low for the time being.

Consumer confidence fell slightly at the end of the third quarter, with the Conference Board's Consumer Confidence Index declining to 79.7 in September, down from 81.8 in August. Despite the drop, confidence levels have remained near the score of 80 for the past four months, and monthly variations are expected. According to The Conference Board: "While overall economic conditions appear to have moderately improved, consumers are uncertain that the momentum can be sustained in the months ahead."

U.S. unemployment for August 2013 was 7.3 percent, while Washington State reported a 6.8 percent unemployment rate. These rates are down from 8.2 percent nationally and 8.1 percent in Washington in August 2012. King County's unemployment rate was 5.1 percent in July 2013 compared to 7.5 percent in July 2012. The unemployment rate in Kirkland was lower than the County, State and Nation with the unemployment rate at 4.3 percent in July 2013, down from 6.3 percent in June 2012. Unemployment data is reported on a one month lag at the national and state levels and on a two month lag at the county and city levels.

The Western Washington Purchasing Manager Index indicated continued growth in economic activity in September 2013. The index was at 54.4, down 0.5 points from August, while this is still positive, it indicates a slowing of this year's growth trend. Index numbers less than 50 indicate a shrinking economy, while those over 50 signal an expanding economy.

Local **development activity** in terms of the valuation of the City's building permits through Sep-

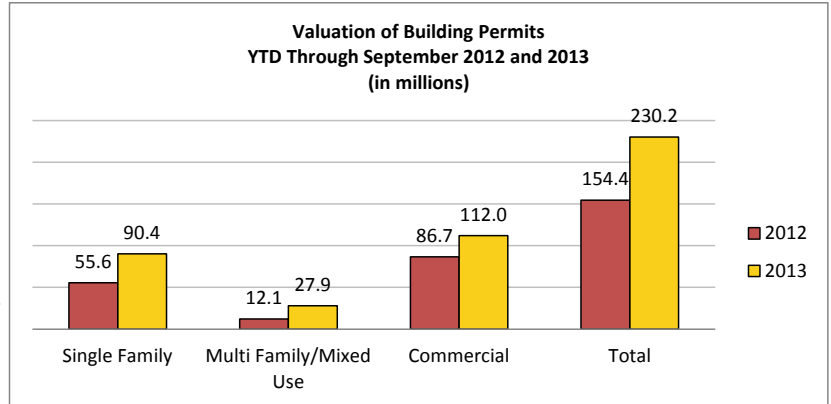
(Continued on page 8)

Economic Environment Update *continued*

tember has risen compared to last year. This is illustrated in the chart to the right. Development activity has increased across the board, with the largest increase in dollar terms coming from commercial building permits and the largest increase by percentage coming from multi-family/mixed use permits. This growth has largely come in the second and third quarters. Single family building permits have experienced strong growth and make up nearly 40 percent of the City's total building permit revenues.

Closed sales of **new and existing single-family homes** on the Eastside were up 18.2 percent in the third quarter of 2013 over last year. The median price of a single family home also increased from \$507,500 in September 2012 to \$569,000 in September 2013. Closed sales of houses across King County were up 22.3 percent, with median prices increasing from \$375,000 to \$420,000. Closed sales of condos on the Eastside increased 22.2 percent between September 2012 and September 2013. The median price of a condo on the Eastside rose from \$234,950 to \$267,500 during this time, an increase of 13.85 percent. Across King County the median price of a condo was \$229,500 in September 2013, up 6.99 percent from \$214,500 in September 2012.

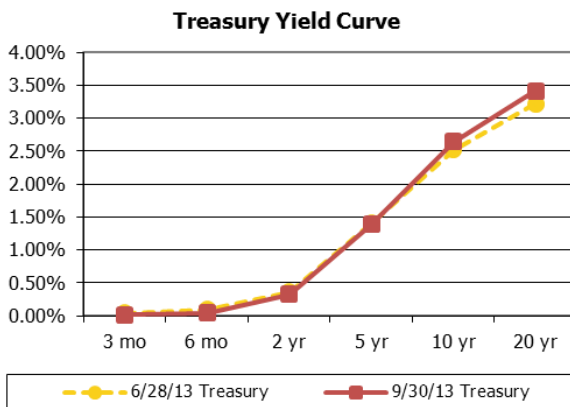
Seattle metro consumer price index (CPI) is calculated bi-monthly and the most recent index from August 2013 was 1.1 percent. This is a lower inflation rate than the CPI through August in 2012, which rose 2.5 percent. The national CPI was 1.5 percent at the end of August 2013, which is lower than the 2.1 percent average for 2012. Seattle's inflation has been mostly consistent with national trends so far this year.



Investment Report

MARKET OVERVIEW

The Fed Funds rate remained at 0.25 percent during the third quarter of 2013. The slow but steady improvement in the economic recovery continues. The yield curve changed very little at the end of the third quarter, rising slightly on the long end and dropping almost to zero on the short end.

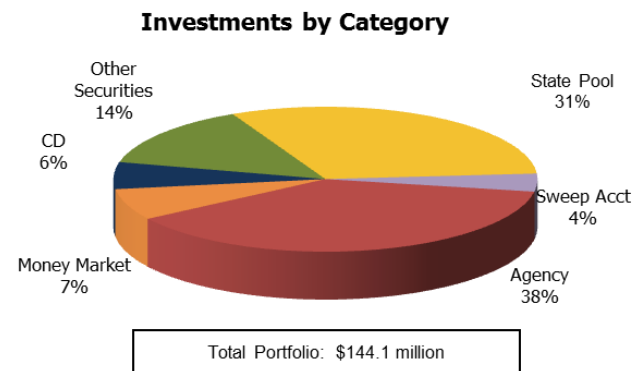


CITY PORTFOLIO

The primary objectives for the City of Kirkland's investment activities are: legality, safety, liquidity and yield. Additionally, the City diversifies its investments according to established maximum allowable exposure limits so that reliance on any one issuer will not place an undue financial burden on the City.

The City's portfolio decreased in the third quarter of 2013 to \$144.1 million compared to \$153.7 million on June 30, 2013. The decrease in the portfolio is in part related to the normal cash

flows of the third quarter, as the second half of property taxes is received at the end of October and early November. A portion of the decrease for the third quarter is due to the construction costs of the Public Safety Building which began in June.



Diversification

The City's current investment portfolio is composed of Government Sponsored Enterprises (GSEs) bonds, US Agency bonds, State and Local Government bonds, the State Investment Pool, an overnight bank sweep account, a bank money market account and bank certificates of deposit. City investment procedures allow for 100% of the portfolio to be invested in U.S. Treasury or Federal Government obligations.

2013 ECONOMIC OUTLOOK and INVESTMENT STRATEGY

The outlook for growth in the U.S. economy is weaker than that of three months ago, according to 41 forecasters surveyed by the Federal Reserve Bank of Philadelphia. The U.S. economy is expected to grow at an annual rate of 1.5 percent in 2013 and 2.6 percent in 2014. CPI inflation is expected to average 1.8 percent in 2013 and 2.0 percent in 2014. The unemployment rate is expected to average 7.5 percent in 2013 and fall to 7.1 percent in 2014. The Fed Funds rate, currently at 0.25 percent, is expected to remain at this level well into 2016.

The portfolio duration has increased as securities have matured and cash balances in the portfolio have decreased. The focus on the next 2 quarters will be purchasing shorter term securities to continue reducing the duration during this period of rising interest rates. The opportunities for increasing portfolio returns are scarce as short term interest rates continue at historically low levels. During periods of low interest rates the portfolio duration should be kept shorter with greater liquidity so that the City is in a position to be able to purchase securities with higher returns when interest rates begin to rise. The State Pool is currently at 0.12 percent and will continue to remain low as the Fed Funds rate remains at 0.00 to 0.25 percent. Total estimated investment income for 2013 is \$790,000.

Investment Report *continued*

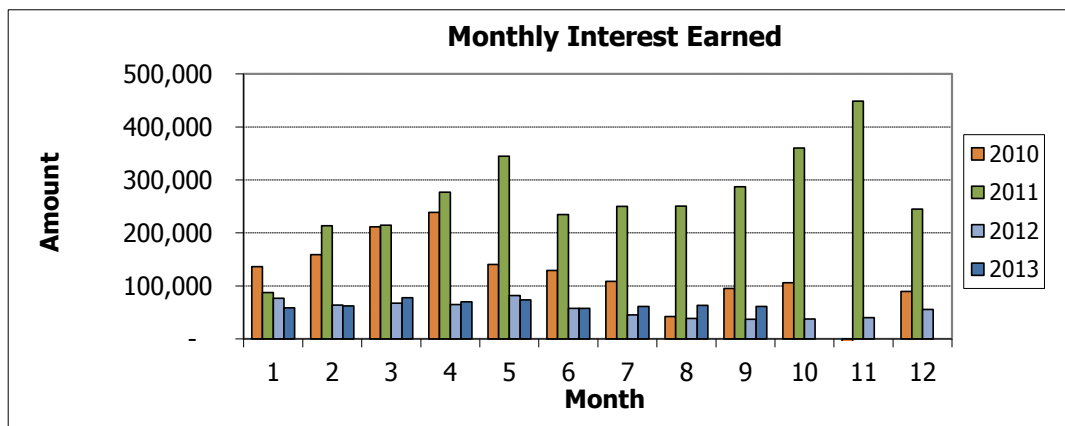
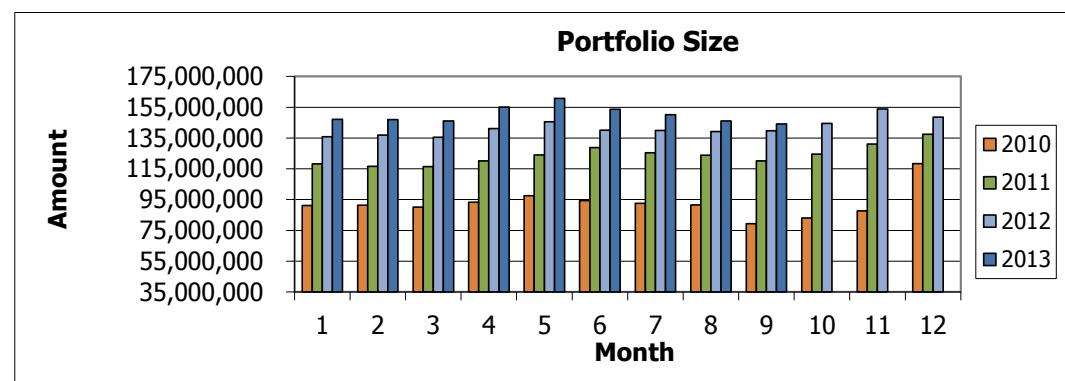
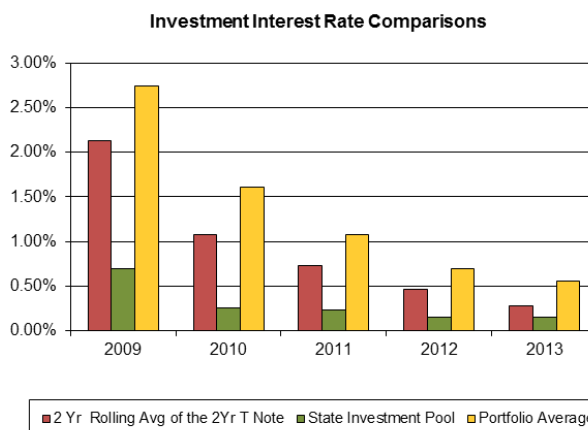
Liquidity

The target duration for the City's portfolio is based on the 0-5 year U.S. Treasury. The average maturity of the City's investment portfolio increased from 1.84 years on June 30, 2013 to 1.92 years on September 30, 2013 due to the decrease in the cash of the portfolio.

Yield

The City Portfolio yield to maturity increased from 0.52 percent on June 30, 2013 to 0.56 percent on September 30, 2013. Through September 30, 2013, the City's annual average yield to maturity was 0.58 percent. The City's portfolio benchmark is the range between the 90 day Treasury Bill and the 2 year rolling average of the 2 year Treasury Note. This benchmark is used as it is reflective of the maturity guidelines required in the Investment Policy adopted by City Council. The City's portfolio outperformed both the 90 day T Bill and the 2 year rolling average of the 2 year Treasury Note, which was 0.28 percent on September 30, 2013.

The City's practice of investing further out on the yield curve than the State Investment Pool results in earnings higher than the State Pool during declining interest rates and lower earnings than the State Pool during periods of rising interest rates. This can be seen in the adjacent graph.



Reserves are an important indicator of the City's fiscal health and effectively represent "savings accounts" that are established to meet unforeseen budgetary needs (general purpose reserves) or are dedicated to a specific purpose. The reserves are listed with their revised estimated balances as of September 30, 2013.

Reserve Analysis

General Purpose Reserves

- The **Revenue Stabilization Reserve** was used almost in its entirety during the 2009-10 biennium as part of the budget balancing strategy to address the severe economic downturn, which allowed the City to mitigate some negative impacts to services. Contributions have been made to replenish the reserves since then and with planned contributions in 2013 and 2014, the reserve is expected to be at target by the end of 2014.
- The **Building and Property Reserve** has been identified as an available funding source for facility expansion and renovation projects and a significant portion is planned to be used during the current biennium, which will bring the reserve just slightly below target.
- The **General Capital Contingency Reserve** was used to fund project cost over-runs in the previous biennium, so replenishment from General Fund 2012 year-end cash was planned in 2013.

General Capital Reserves

- Real estate activity remains strong in 2013. **Real Estate Excise Tax (REET)** collections are 37 percent ahead of the same period last year. Revenue through the third quarter are almost 150 percent of budget, so the current budgeted ending balance does not reflect actual revenue trends and will be reviewed later in the year for potential adjustment. REET 2 reserves were used in 2012 to assist in the re-payment of the loan from the utilities for the purchase of the Cross Kirkland Corridor in 2011.
- Impact fees** are also significantly ahead of last year as the result of the high level of development activity in 2013 and ahead of budget. Transportation impact fees are 72 percent ahead of the same period last year and park impact fees are 70 percent ahead. There is minimal planned use of transportation impact fees for capital projects and no planned use of park impact fees for park capital projects in the current budget cycle except for debt related to parks. As with REET, the budgeted ending balance for Impact Fees will be reviewed at the end of 2013 for possible adjustment.

Reserves	Est. 2013 Beginning Balance	Adopted 2014 Ending Balance	Revised 2014 Ending Balance	2013-14 Target	Revised Over (Under) Target
GENERAL PURPOSE RESERVES WITH TARGETS					
General Fund Reserves:					
General Fund Contingency	50,000	50,000	50,000	50,000	0
General Oper. Reserve (Rainy Day)	2,806,513	2,806,513	2,806,513	4,219,482	(1,412,969)
Revenue Stabilization Reserve	1,231,431	2,468,068	2,468,068	2,468,068	0
Building & Property Reserve	2,137,598	571,579	571,579	600,000	(28,421)
Council Special Projects Reserve	250,000	178,372	171,372	250,000	(78,628)
Contingency	2,201,870	2,426,425	2,426,425	4,275,442	(1,849,017)
General Capital Contingency*	2,686,587	4,810,795	4,810,795	5,735,330	(924,535)
General Purpose Reserves with Targets	11,363,999	13,311,752	13,304,752	17,598,322	(4,293,570)
ALL OTHER RESERVES WITH TARGETS					
General Fund Reserves:					
Litigation Reserve	350,000	350,000	350,000	50,000	300,000
Firefighter's Pension Reserve*	1,746,298	1,484,958	1,484,958	1,568,207	(83,249)
Health Benefits Fund:					
Claims Reserve*	1,187,813	2,615,856	2,615,856	1,424,472	1,191,384
Rate Stabilization Reserve	1,000,000	1,000,000	1,000,000	500,000	500,000
Excise Tax Capital Improvement:					
REET 1**	3,477,948	4,507,512	4,210,481	1,071,000	3,139,481
REET 2**	2,284,826	2,319,112	1,952,797	2,225,500	(272,703)
Water/Sewer Operating Reserve:	2,414,471	2,414,471	2,414,471	1,979,380	435,091
Water/Sewer Debt Service Reserve:	488,200	498,591	498,591	508,717	(10,126)
Water/Sewer Capital Contingency:	1,107,600	1,107,600	1,107,600	250,000	857,600
Surface Water Operating Reserve:	706,364	706,364	706,364	412,875	293,489
Surface Water Capital Contingency:	816,480	816,480	816,480	758,400	58,080
Other Reserves with Targets	15,580,000	17,820,944	17,157,598	10,748,551	6,409,047
Reserves without Targets	35,751,424	35,847,270	35,099,316	n/a	n/a
Total Reserves	62,695,423	66,979,966	65,561,666	n/a	n/a

The target comparison reflects revised ending balances to the targets established in the budget process for those reserves with targets.

General Purpose reserves are funded from general revenue and may be used for any general government function.

All Other Reserves with Targets have restrictions for use either from the funding source or by Council-directed policy (such as the Litigation Reserve).

*Includes replenishments adopted in early April 2013 and adjustments to actual cash balances adopted in June.

**Includes replenishments adopted in early April 2013 and adjustments to actual cash balances adopted in June; does not reflect increased collections in 2013, which will be considered for budget adjustments.

The summary to the right details all Council authorized uses and additions through September 30, 2013.

USES AND ADDITIONS HIGHLIGHTS

RESERVE	AMOUNT	DESCRIPTION
2013-14 Council Authorized Uses		
2013 First Quarter Uses	\$302,000	
2013 Second Quarter Uses	\$626,319	
Real Estate Excise Tax 2 - Transp.	\$61,600	100th Avenue Bicycle Lanes
Real Estate Excise Tax 2 - Transp.	\$3,670	Lakeview School Walkroute
Real Estate Excise Tax 2 - Transp.	\$19,000	Peter Kirk Elementary Sidewalk
Facilities Sinking Fund	\$475,711	Facilities Energy Efficiency Grant Match
2013-14 Council Authorized Additions		
Surface Water Transportation Reserve	\$21,000	Central Way Pedestrian Enhancements
Surface Water Transportation Reserve	\$49,000	Peter Kirk Elementary Sidewalk

Financial Management Report as of September 30, 2013

General Fund and Contingency reserves are funded from general purpose revenue and are governed by Council-adopted policies.

Special Purpose reserves reflect both restricted and dedicated revenue for specific purpose, as well as general revenue set aside for specific purposes.

General Capital Reserves provide the City the ability to respond to unexpected changes in costs and accumulate funds for future projects. It is funded from both general revenue and restricted revenue.

Utility reserves are funded from utility rates and provide the utilities with the ability to respond to unexpected costs and accumulate funds for future replacement projects.

Internal service funds are funded by charges to operating departments. They provide for the accumulation of funds for replacement of equipment, as well as the ability to respond to unexpected costs.

Reserves	Description	Est. 2013 Beginning Balance	Adopted 2014 Ending Balance	Additional Authorized Uses/Additions	Revised 2014 Ending Balance
GENERAL FUND/CONTINGENCY					
General Fund Reserves:					
General Fund Contingency	Unexpected General Fund expenditures	50,000	50,000	0	50,000
General Oper. Reserve (Rainy Day)	Unforeseen revenues/temporary events	2,806,513	2,806,513	0	2,806,513
Revenue Stabilization Reserve	Temporary revenue shortfalls	1,231,431	2,468,068	0	2,468,068
Building & Property Reserve	Property-related transactions	2,137,598	571,579	0	571,579
Council Special Projects Reserve	One-time special projects	250,000	178,372	(7,000)	171,372
Contingency	Unforeseen expenditures	2,201,870	2,426,425	0	2,426,425
Total General Fund/Contingency		8,677,412	8,500,957	(7,000)	8,493,957
SPECIAL PURPOSE RESERVES					
General Fund Reserves:					
Litigation Reserve	Outside counsel costs contingency	350,000	350,000	0	350,000
Labor Relations Reserve*	Labor negotiation costs contingency	65,348	65,348	0	65,348
Police Equipment Reserve*	Equipment funded from seized property	48,685	58,685	0	58,685
LEOFF 1 Police Reserve	Police long-term care benefits	618,079	618,079	0	618,079
Facilities Expansion Reserve	Special facilities expansions reserve	800,000	-	0	0
Development Services Reserve*	Revenue and staffing stabilization	1,004,194	1,187,020	0	1,187,020
Development Svcs. Technology Reserve	Permit system replacement	264,810	159,792	0	159,792
Tour Dock*	Dock repairs	138,892	171,392	0	171,392
Tree Ordinance*	Replacement trees program	29,717	29,717	0	29,717
Revolving/Donation Accounts*	Fees/Donations for specific purposes	451,090	537,890	0	537,890
Lodging Tax Fund*	Tourism program and facilities	240,991	221,951	0	221,951
Cemetery Improvement*	Cemetery improvements/debt service	662,614	712,174	0	712,174
Off-Street Parking	Downtown parking improvements	147,016	212,836	0	212,836
Firefighter's Pension*	Long-term care/pension benefits	1,746,298	1,484,958	0	1,484,958
Total Special Purpose Reserves		6,567,734	5,809,842	0	5,809,842
GENERAL CAPITAL RESERVES					
Excise Tax Capital Improvement:					
REET 1**	Parks/transportation/facilities projects, parks debt service	3,477,948	4,507,512	(297,031)	4,210,481
REET 2**	Transportation and other capital projects	2,284,826	2,319,112	(366,315)	1,952,797
Impact Fees					
Roads**	Transportation capacity projects	2,060,540	2,066,737	0	2,066,737
Parks**	Parks capacity projects	685,727	598,023	0	598,023
Street Improvement	Street improvements	995,958	995,958	0	995,958
General Capital Contingency*	Changes to General capital projects	2,686,587	4,810,795	0	4,810,795
Total General Capital Reserves		12,191,586	15,298,137	(663,346)	14,634,791
UTILITY RESERVES					
Water/Sewer Utility:					
Water/Sewer Operating Reserve	Operating contingency	2,414,471	2,414,471	0	2,414,471
Water/Sewer Debt Service Reserve*	Debt service reserve	488,200	498,591	0	498,591
Water/Sewer Capital Contingency	Changes to Water/Sewer capital projects	1,107,600	1,107,600	0	1,107,600
Water/Sewer Construction Reserve	Replacement/re-prioritized/new projects	9,093,871	8,228,606	0	8,228,606
Surface Water Utility:					
Surface Water Operating Reserve	Operating contingency	706,364	706,364	0	706,364
Surface Water Capital Contingency	Changes to Surface Water capital projects	816,480	816,480	0	816,480
Surface Water-Transp. Related Rsv	Replacement/re-prioritized/new projects	3,794,629	4,580,229	44,757	4,624,986
Surface Water Construction Reserve	Trans. related surface water projects	1,990,126	1,485,091	(317,000)	1,168,091
Total Utility Reserves		20,411,741	19,837,432	(272,243)	19,565,189
INTERNAL SERVICE FUND RESERVES					
Health Benefits:					
Claims Reserve*	Health benefits self insurance claims	1,187,813	2,615,856	0	2,615,856
Rate Stabilization Reserve	Rate stabilization	1,000,000	1,000,000	0	1,000,000
Equipment Rental:					
Vehicle Reserve*	Vehicle replacements	9,154,784	9,260,709	0	9,260,709
Radio Reserve	Radio replacements	7,686	7,686	0	7,686
Information Technology:					
PC Replacement Reserve*	PC equipment replacements	308,256	482,150	0	482,150
Technology Initiative Reserve	Technology projects	690,207	523,835	0	523,835
Major Systems Replacement Reserve	Major technology systems replacement	245,500	656,200	0	656,200
Facilities Maintenance:					
Operating Reserve	Unforeseen operating costs	550,000	550,000	0	550,000
Facilities Sinking Fund*	20-year facility life cycle costs	1,702,704	2,437,162	(475,711)	1,961,451
Total Internal Service Fund Reserves		14,846,950	17,533,598	(475,711)	17,057,887
Grand Total		62,695,423	66,979,966	(1,418,300)	65,561,666

*Includes replenishments adopted in early April 2013 and adjustments to actual cash balances adopted in June.

**Includes replenishments adopted in early April 2013 and adjustments to actual cash balances adopted in June; does not reflect increased collections in 2013, which will be considered for budget adjustments.



The Financial Management Report (FMR) is a high-level status report on the City's financial condition that is produced quarterly.

- It provides a **summary budget to actual and year over year comparisons** for year-to-date revenues and expenditures for all operating funds.
- The **Sales Tax Revenue Analysis** report takes a closer look at one of the City's larger and most economically sensitive revenue sources.
- **Economic environment** information provides a brief outlook at the key economic indicators for the Eastside and Kirkland such as office vacancies, residential housing prices/sales, development activity, inflation and unemployment.
- The **Investment Summary** report includes a brief market overview, a snapshot of the City's investment portfolio, and the City's year-to-date investment performance.
- The **Reserve Summary** report highlights the uses of and additions to the City's reserves in the current year as well as the projected ending reserve balance relative to each reserve's target amount.
- Tracey Dunlap, Director of Finance & Administration
- Michael Olson, Deputy Director of Finance & Administration
- Sri Krishnan, Financial Planning Manager
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